Audit of Forest Planning and Practices

Forest Licence A20218

Atco Lumber Ltd.

FPB/ARC/32

December 2000

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Report from the Board

A. Report from the Board

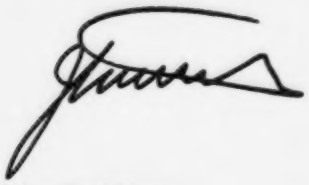
This is the Board's report on a compliance audit of Forest Licence A20218, held by Atco Lumber Ltd. (Atco). The operating area for this licence is located in the Kootenay Lake Forest District, primarily south of the city of Nelson.

The Report from the Auditor (Part C) provides further details on the location of FL A20218 (see attached map), the scope of the audit, and the audit findings. The Report from the Auditor is based on the audit procedures described in Part B.[1]

The audit examined Atco's planning and field activities, for the period of July 10, 1999 to July 12, 2000, related to operational planning (including forest development plans and silviculture prescriptions); timber harvesting; road construction, maintenance and deactivation; silviculture; and fire protection. The Board considered the Report from the Auditor along with supporting audit evidence and affirms the auditor's findings and conclusions.

Conclusions

Atco's operational planning and forest practices complied with Code requirements in all significant respects.



John Cuthbert
Acting Chair

December 7, 2000

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[1] Part B of this document provides background information on the Board's audit program and the process followed by the Board in preparing its report.

Forest Practices Board Compliance Audit Process

B. Forest Practices Board Compliance Audit Process

Background

The Forest Practices Board conducts audits of government's and agreement holder's compliance with the *Forest Practices Code of British Columbia Act* and regulations (the Code). The Board is given the authority to conduct these periodic independent audits by section 176 of the Act. Compliance audits examine forest planning and practices to determine whether or not they meet Code requirements.

The Board undertakes both "limited scope" and "full scope" compliance audits. A limited scope audit involves the examination of selected forest practices (e.g., roads, or timber harvesting, or silviculture) and the related operational planning activities. A full scope audit examines all operational planning activities and forest practices.

The Board determines how many audits it will conduct in a year, and what type of audits (limited or full scope), based on budget and other considerations. The Board audits agreement holders who have forest licences or other tenures under the *Forest Act* or the *Range Act*. The Board also audits government's Small Business Forest Enterprise Program (SBFEP) which is administered by Ministry of Forests district offices. Selection of agreement holders and district SBFEPs for audit is done randomly, using a computer program, to ensure a fair, unbiased selection of auditees.

Audit Standards

Audits by the Forest Practices Board are conducted in accordance with the auditing standards developed by the Board. These standards are consistent with generally accepted auditing standards.

The audits determine compliance with the Code based on criteria derived from the *Forest Practices Code of British Columbia Act* and its related regulations. Audit criteria are established for the evaluation or measurement of each practice required by the Code. The criteria reflect judgments about the level of performance that constitutes compliance with each requirement.

The standards and procedures for compliance audits are described in the Board's *Compliance Audit Reference Manual*.

Audit Process

Conducting the Audit

Once the Board selects an audit and decides on the scope of the audit (limited scope or full scope), the staff and resources required to conduct the audit and the period covered by the audit are determined. Board staff also meet with the party being audited to discuss the logistics of the audit before commencing the work.

All the activities carried out during the period subject to audit are identified. This includes activities such as the sites harvested or replanted and road sections built or deactivated during the audit period. The items that comprise each forest activity are referred to as a "population." For example, all sites harvested form the "timber harvesting population." All road sections constructed form the "road construction population." The populations are then sub-divided based on factors such as the characteristics of the sites and the potential severity of the consequences of non-compliance on the sites.

The most efficient means of obtaining information to conclude whether there is compliance with the Code is chosen for each population. Because of limited resources, sampling is usually relied upon to obtain audit evidence, rather than inspecting all activities.

Individual sites and forest practices within each population have different characteristics, such as the type of terrain or type of yarding. Each population is divided into distinct sub-populations on the basis of common characteristics (e.g., steep ground vs. flat ground). A separate sample is selected for each population (e.g., the cutblocks selected for auditing timber harvesting). Within each population, more audit effort (i.e., more audit sampling) is allocated to the sub-population where the risk of non-compliance is greater.

Audit work in the field includes assessments from helicopters and intensive ground procedures such as the measurement of specific features like road width. The audit teams generally spend two to three weeks in the field.

Evaluating the Results

The Board recognizes that compliance with the many requirements of the Code is more a matter of degree than absolute adherence. Determining compliance requires the exercise of professional judgment within the direction provided by the Board.

Auditors collect, analyze, interpret and document information to support the audit results. The audit team, comprised of professionals and technical experts, first determines whether forest practices are in compliance with Code requirements. For those practices considered to not be in compliance, the audit team then evaluates the degree to which the practices are judged not in compliance. The significance of the non-compliance is determined based on a number of criteria including the magnitude of the event, the frequency of its occurrence, and the severity of the consequences.

As part of the assessment process, auditors categorize their findings into the following levels of compliance:

Compliance – where the auditor finds that practices meet Code requirements.

Not significant non-compliance – where the auditor, upon reaching a non-compliance conclusion, determines that a non-compliance event, or the accumulation and consequences of a number of non-compliance events, is not significant and is not considered worthy of reporting.

Significant non-compliance – where the auditor determines that the event or condition, or the accumulation and consequences of a number of non-compliance events or conditions, is significant and is considered worthy of reporting.

Significant breach – where the auditor finds that significant harm has occurred or is beginning to occur to persons or the environment as a result of the non-compliance. A significant breach can also result from the cumulative effect of a number of non-compliance events or conditions.

Identification of a possible significant breach requires the auditor to conduct tests to confirm whether or not there has been a breach. If it is determined that a significant breach has occurred, the auditor is required by the *Forest Practices Board Regulation* to immediately advise the Board, the party being audited, and the Ministers of Forests, Energy & Mines, and Environment, Lands & Parks.

Reporting

Based on the above evaluation, the auditor then prepares the "Report from the Auditor" for submission to the Board. The party being audited is given a draft of the report before it is submitted to the Board so that the party is fully aware of the findings. The party is also kept fully informed of the audit findings throughout the process, and is given opportunities to provide additional relevant information and to ensure the auditor has complete and correct information.

Once the auditor submits the report, the Board reviews it and determines whether any party or person is potentially adversely affected by the audit findings. If so, the party or person must be given an opportunity to make representations before the Board decides the matter and issues a final report to the public and government. The representations allow potentially adversely affected parties to present their views to the Board.

At the discretion of the Board, representations may be written or oral. The Board will generally offer written representations to potentially adversely affected parties, unless the circumstances strongly support the need for an oral hearing.

The Board then reviews both the report from the auditor and the representations before preparing its final report, which includes the Board's conclusions and may also include recommendations, if appropriate.

If the Board's conclusions or recommendations result in newly adversely affected parties or persons, additional representations would be required.

Once the representations have been completed, the report is finalized and released: first to the auditee and then to the public and government.

Report from the Auditor

C. Report from the Auditor

1.0 Introduction

As part of the Forest Practices Board's 2000 compliance audit program, Forest Licence A20218 was selected for audit from the population of major forest licences within the Nelson Forest Region. The licence, held by Atco Lumber Ltd. (Atco), was selected randomly and not on the basis of location or level of performance.

The audit assessed Atco's compliance with the *Forest Practices Code of British Columbia Act* and related regulations (the Code).

Forest Licence A20218 is a volume-based licence within the Kootenay Lake Timber Supply Area (TSA) and lies within the Kootenay Lake Forest District. Forest licences do not have specific boundaries within which forest activities take place. However, the operating area is primarily south of the city of Nelson (see attached map).

The Kootenay-Boundary Land Use Plan (KBLUP) covers the area within which Atco carries out its operations. The KBLUP is a land use strategy developed through public consultation and is used by licencees in developing their operational plans.

To help facilitate KBLUP implementation, the Ministry of Forests and the Ministry of Environment, Lands and Parks have provided guidance to licensees. This includes providing inventory information and specific targets for resources and features that must be managed or protected, e.g., objectives for the maintenance of sucessional stages of the forest. It also includes operational plan content additional to Code requirements and clarification of Code requirements.

The KBLUP implementation strategy guides forest operations in the area covered by Atco's forest development plan. The measures defined in Atco's forest development plan to manage and protect resources were consistent with the KBLUP implementation strategy and directions for preparing forest development plans.

Forest Licence A20218 has an allowable annual cut of 20,167 cubic metres.

2.0 Audit Scope

The audit examined Atco's planning and field activities in the areas of operational planning (including forest development plans[i] and silviculture prescriptions[ii]); timber harvesting; road construction, maintenance and deactivation; silviculture; and fire protection.

The period for which activities were examined was July 10, 1999, to July 12, 2000.

The activities carried out by Atco during the audit period, and therefore subject to audit were:

Operational planning

- the approved 1999-2004 Forest Development Plan
- 18 approved silviculture prescriptions, of which 8 supported the harvesting activities examined

Timber harvesting and road construction, maintenance and deactivation

- harvesting of 8 cutblocks
- construction of 5 road sections totaling 1.4 kilometres
- maintenance of approximately 85 kilometres of road, involving activities such as road surfacing and cleaning culverts and ditches
- maintenance of 1 bridge
- temporary deactivation of 4 road sections totaling 4 kilometres, and permanent deactivation of 5 road sections totaling 1.5 kilometres
- layout and design of 8 road sections totaling approximately 1 kilometre

Silviculture

- site preparation for tree planting on 5 cutblocks and treeplanting of 15 cutblocks
- brushing on 14 cutblocks
- regeneration obligations of 13 cutblocks

Fire protection

- fire protection planning and infrastructure

Section 3 describes the audit of these activities and the audit results. The Board's audit reference manual, *Compliance Audit Reference Manual, Version 4.1, May 2000*, sets out the standards and procedures that were used for this audit.

3.0 Audit Findings

Planning and practices examined

The audit work on selected roads and cutblocks included ground-based procedures and assessments from the air using helicopters. All or most of the activities were sampled because the numbers of cutblocks harvested and roads constructed during the audit period were small.

The audit examined:

Operational planning

- the approved 1999-2004 Forest Development Plan
- 18 silviculture prescriptions, of which 8 relate to the harvesting activities examined

Timber harvesting and road construction, maintenance and deactivation

- harvesting of 8 cutblocks
- construction of 5 road sections totaling 1.4 kilometres
- maintenance of approximately 85 kilometres of road
- maintenance of 1 bridge
- temporary deactivation of 4 road sections totaling 4 kilometres, and permanent deactivation of 5 road sections totaling 1.5 kilometres
- layout and design of 8 road sections totaling approximately 1 kilometre

Silviculture

- site preparation for tree planting on 5 cutblocks and tree planting of 7 cutblocks
- brushing of 3 cutblocks
- regeneration obligations on 6 cutblocks

Fire Protection

- fire protection plans and infrastructure

Findings

The audit found that Atco's forest planning and practices were in compliance, in all significant respects, with Code requirements for operational planning; timber harvesting; road construction, maintenance and deactivation; silviculture; and fire protection.

4.0 Audit Opinion

In my opinion, the operational planning; timber harvesting; road construction, maintenance, and deactivation; silviculture; and fire protection activities of Atco Lumber Ltd. on Forest Licence A20218 from July 10, 1999, to July 12, 2000 were in compliance, in all significant respects, with the requirements of the Code as of July 2000.

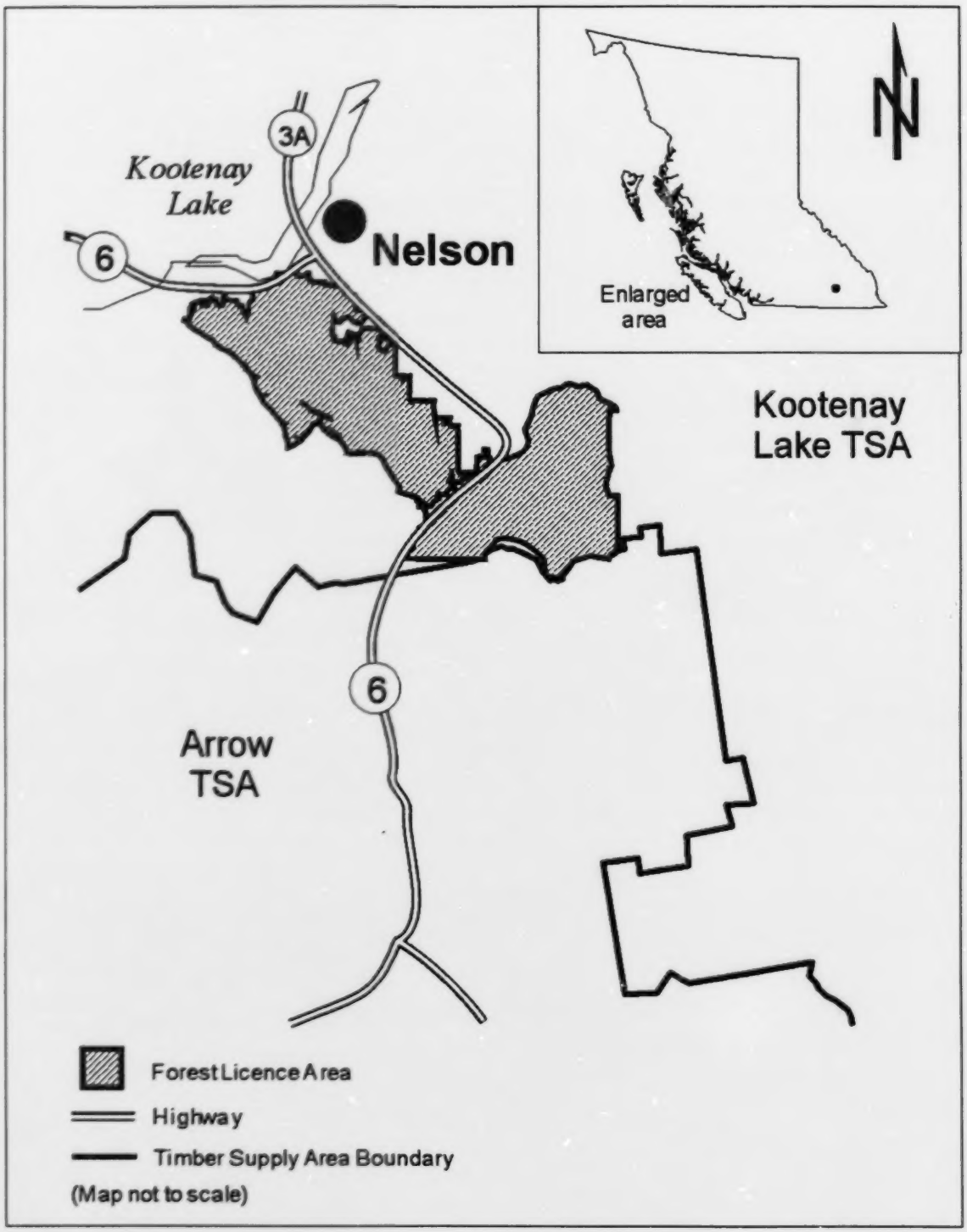
In reference to compliance, the term "in all significant respects" recognizes that there may be minor instances of non-compliance that either may not be detected by the audit, or that are detected but not considered worthy of inclusion in the audit report.

Sections 2 and 3 of this report from the auditor describe the basis of the audit work performed in reaching this opinion. The audit was conducted in accordance with the auditing standards of the Forest Practices Board. Such an audit includes examining sufficient forest planning and practices to support an overall evaluation of compliance with the Code.

Kevin Edquist, RPF
Auditor of Record

Victoria, British Columbia
November 30, 2000

Audit of Atco Lumber Ltd.
Forest Licence A20218



i A forest development plan is an operational plan that provides the public and government agencies with information about the location and scheduling of proposed roads and cutblocks for harvesting timber over a period of at least five years. The plan must specify measures that will be carried out to protect forest resources (including water, fisheries, and other forest resources). It must also illustrate and describe how objectives and strategies established in higher level plans, where they have been prepared, will be carried out. Site specific plans are required to be consistent with the forest development plan.

ii A silviculture prescription is a site specific operational plan that describes the forest management objectives for an area to be harvested (a cutblock). The silviculture prescriptions examined in the audit are required to describe the management activities proposed to maintain the inherent productivity of the site, accommodate all resource values including biological diversity, and produce a free growing stand capable of meeting stated management objectives. Silviculture prescriptions must be consistent with forest development plans that encompass the area to which the prescription applies.